

CITY OF FRANKLIN SPRINGS, GEORGIA

Annual Financial Report

For the year ended December 31, 2021

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CITY OF FRANKLIN SPRINGS, GEORGIA
ANNUAL FINANCIAL REPORT
For the year ended December 31, 2021

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Independent Auditor's Report

Honorable Mayor and
Members of the City Council
City of Franklin Springs, Georgia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin Springs, Georgia, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Franklin Springs, Georgia's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin Springs, Georgia, as of December 31, 2021, and the respective changes in the financial position and, where applicable, cash flows thereof, and the budgetary comparison of the General Fund and American Rescue Plan Act Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Franklin Springs, Georgia and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Franklin Springs, Georgia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Franklin Springs, Georgia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Franklin Springs, Georgia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

The City of Franklin Springs, Georgia has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Franklin Springs, Georgia's basic financial statements. The combining and individual fund financial statements and schedules and the schedule of projects financed with special purpose local option sales tax are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and the schedule of projects financed with special purpose local option sales tax are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2022, on our consideration of the City of Franklin Springs, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Franklin Springs, Georgia's internal control over financial reporting and compliance.

Rushon, LLC

Gainesville, Georgia
May 31, 2022

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BASIC FINANCIAL STATEMENTS

CITY OF FRANKLIN SPRINGS, GEORGIA
STATEMENT OF NET POSITION
December 31, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,236,069	\$ 208,294	\$ 1,444,363
Certificates of deposit	0	14,924	14,924
Receivables (net)			
Accounts	6,376	21,410	27,786
Taxes	88,761	0	88,761
Intergovernmental	102,348	0	102,348
Prepaid items	19,440	3,147	22,587
Property held for resale	553,040	0	553,040
Total current assets	2,006,034	247,775	2,253,809
Noncurrent assets			
Capital assets			
Non-depreciable	17,500	33,153	50,653
Depreciable (net)	1,239,961	627,193	1,867,154
Total noncurrent assets	1,257,461	660,346	1,917,807
Total assets	3,263,495	908,121	4,171,616
LIABILITIES			
Current liabilities			
Accounts payable	9,293	7,552	16,845
Accrued salaries	1,918	574	2,492
Compensated absences	7,723	2,233	9,956
Unearned revenue	1,438	251	1,689
Customer deposits payable	0	18,053	18,053
Total liabilities	20,372	28,663	49,035
NET POSITION			
Investment in capital assets	1,257,461	660,346	1,917,807
Restricted for:			
Public Safety	11,073	0	11,073
Public Works	48,573	0	48,573
Capital outlay	674,825	0	674,825
Unrestricted	1,251,191	219,112	1,470,303
Total net position	\$ 3,243,123	\$ 879,458	\$ 4,122,581

See accompanying notes to the financial statements.

CITY OF FRANKLIN SPRINGS, GEORGIA
STATEMENT OF ACTIVITIES
For the year ended December 31, 2021

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities					
General Government	\$ 339,981	\$ 4,846	\$ 0	\$ 15,216	\$ (319,919)
Public Safety	369,363	29,221	241,777	65,649	(32,716)
Public Works	128,840	46,749	0	126,647	44,556
Housing and Development	7,610	0	0	0	(7,610)
Total governmental activities	845,794	80,816	241,777	207,512	(315,689)
Business-type activities					
Water and Sewer	291,711	283,493	0	0	(8,218)
Total primary government	1,137,505	364,309	241,777	207,512	(323,907)
Primary Government					
	Governmental Activities	Business-Type Activities	Total		
Change in net position					
Net (expense) revenue	\$ (315,689)	\$ (8,218)	\$ (323,907)		
General revenues					
Taxes					
Property	144,461	0	144,461		
Sales	255,084	0	255,084		
Franchise	91,349	0	91,349		
Insurance premium	77,716	0	77,716		
Intangibles	1,986	0	1,986		
Alcoholic beverage	10,605	0	10,605		
Hotel/Motel	7,444	0	7,444		
Occupational	16,149	0	16,149		
Interest and investment earnings	91	0	91		
Other	1,753	9,508	11,261		
Transfers	(7,822)	7,822	0		
Total general revenues and transfers	598,816	17,330	616,146		
Change in net position	283,127	9,112	292,239		
Net position - beginning	2,959,996	870,346	3,830,342		
Net position - ending	\$ 3,243,123	\$ 879,458	\$ 4,122,581		

See accompanying notes to the financial statements.

CITY OF FRANKLIN SPRINGS, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2021

	General	American Rescue Plan Act	SPLOST	Nonmajor Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 341,579	\$ 222,569	\$ 657,246	\$ 14,675	\$ 1,236,069
Receivables (net)					
Accounts	6,376	0	0	0	6,376
Taxes	88,126	0	0	635	88,761
Intergovernmental	84,769	0	17,579	0	102,348
Prepaid items	19,440	0	0	0	19,440
Property held for resale	553,040	0	0	0	553,040
Due from other funds	222,772	0	0	0	222,772
Total assets	\$ 1,316,102	\$ 222,569	\$ 674,825	\$ 15,310	\$ 2,228,806
Liabilities					
Accounts payable	\$ 9,293	\$ 0	\$ 0	\$ 0	\$ 9,293
Payroll liabilities	1,918	0	0	0	1,918
Unearned revenue	1,438	0	0	0	1,438
Due to other funds	0	222,569	0	203	222,772
Total liabilities	12,649	222,569	0	203	235,421
Deferred inflows of resources					
Unavailable revenue-property taxes	798	0	0	0	798
Fund balances					
Nonspendable:					
Prepaid items	19,440	0	0	0	19,440
Property held for resale	553,040	0	0	0	553,040
Restricted for:					
Public Safety	0	0	0	11,073	11,073
Public Works	48,573	0	0	0	48,573
Capital outlay	0	0	674,825	0	674,825
Assigned for:					
Public Works	1,250	0	0	0	1,250
Housing and Development	0	0	0	4,034	4,034
Unassigned	680,352	0	0	0	680,352
Total fund balances	1,302,655	0	674,825	15,107	1,992,587
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,316,102	\$ 222,569	\$ 674,825	\$ 15,310	\$ 2,228,806

See accompanying notes to the financial statements.

CITY OF FRANKLIN SPRINGS, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
December 31, 2021

Total fund balance - total governmental funds	\$ 1,992,587
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Amounts reported for governmental activities in the statement of net position are different because:

Some assets are not financial resources and, therefore, are not reported in the funds.

These are:

Capital assets, net of accumulated depreciation	1,257,461
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Long-term assets (receivables) are not available to pay current period expenditures and, therefore, are unavailable in the funds.

These are:

Property taxes	798
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Long-term liabilities are not due and payable in the current period and are not reported in the funds.

These are:

Compensated absences	<u>(7,723)</u>
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Net position of governmental activities	<u><u>\$ 3,243,123</u></u>
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CITY OF FRANKLIN SPRINGS, GEORGIA
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended December 31, 2021

	General	American Rescue Plan Act	SPLOST	Nonmajor Governmental Funds	Total
REVENUES					
Taxes	\$ 597,905	\$ 0	\$ 0	\$ 7,444	\$ 605,349
Licenses and permits	4,236	0	0	0	4,236
Fines, fees and forfeitures	27,217	0	0	1,844	29,061
Charges for services	47,518	0	0	0	47,518
Intergovernmental	32,400	222,569	191,711	0	446,680
Interest	91	0	586	0	677
Contributions	2,025	0	0	0	2,025
Other	1,753	0	0	0	1,753
Total revenues	713,145	222,569	192,297	9,288	1,137,299
EXPENDITURES					
Current					
General Government	317,400	0	0	0	317,400
Public Safety	243,952	0	0	0	243,952
Public Works	111,548	0	0	0	111,548
Housing and Development	0	0	0	11,434	11,434
Capital outlay	0	0	15,650	0	15,650
Total expenditures	672,900	0	15,650	11,434	699,984
Excess (deficiency) of revenues over (under) expenditures	40,245	222,569	176,647	(2,146)	437,315
Other financing sources (uses)					
Transfers in	222,569	0	0	0	222,569
Transfers out	0	(222,569)	(7,822)	0	(230,391)
Total other financing sources (uses)	222,569	(222,569)	(7,822)	0	(7,822)
Excess (deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	262,814	0	168,825	(2,146)	429,493
Fund balances, January 1	1,039,841	0	506,000	17,253	1,563,094
Fund balances, December 31	\$ 1,302,655	\$ 0	\$ 674,825	\$ 15,107	\$ 1,992,587

See accompanying notes to the financial statements.

**CITY OF FRANKLIN SPRINGS, GEORGIA
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the year ended December 31, 2021**

Net change in fund balances - total governmental funds	\$	429,493
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$	31,790	
Depreciation		(177,104)	(145,314)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These include recognition of unavailable revenue.	(555)
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Expenses reported in the statement of activities that do not require the use of current financial resources and are not reported as expenditures in the governmental funds.

Compensated absences	(497)
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Change in net position of governmental activities	\$ 283,127
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CITY OF FRANKLIN SPRINGS, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP) AND ACTUAL
For the year ended December 31, 2021

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 522,797	\$ 543,797	\$ 597,905	\$ 54,108
Licenses and permits	3,400	3,400	4,236	836
Fines, fees and forfeitures	75,655	78,655	27,217	(51,438)
Charges for services	43,235	43,235	47,518	4,283
Intergovernmental	30,578	30,578	32,400	1,822
Interest	0	0	91	91
Contributions	50	50	2,025	1,975
Other	5,200	5,200	1,753	(3,447)
Total revenues	680,915	704,915	713,145	8,230
EXPENDITURES				
Current				
General Government				
Governing Body	30,840	35,840	35,955	(115)
Administration	243,669	277,379	281,445	(4,066)
Public Safety				
Police Department	231,875	234,875	209,533	25,342
Fire Department	47,000	44,290	34,419	9,871
Public Works				
Highways and Streets	91,531	76,531	76,412	119
Sanitation	36,000	36,000	35,136	864
Total expenditures	680,915	704,915	672,900	32,015
Excess (deficiency) of revenues over (under) expenditures	0	0	40,245	40,245
Other financing sources (uses)				
Transfers in	0	0	222,569	222,569
Net change in fund balances	0	0	262,814	262,814
Fund balances, January	0	0	1,039,841	1,039,841
Fund balances, December 31	\$ 0	\$ 0	\$ 1,302,655	\$ 1,302,655

See accompanying notes to the financial statements.

CITY OF FRANKLIN SPRINGS, GEORGIA
AMERICAN RESCUE PLAN ACT
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP) AND ACTUAL
For the year ended December 31, 2021

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES	\$ 0	\$ 0	\$ 222,569	\$ 222,569
EXPENDITURES	0	0	0	0
Excess (deficiency) of revenues over (under) expenditures	0	0	222,569	222,569
Other financing sources (uses) Transfers out	0	0	(222,569)	(222,569)
Net change in fund balances	0	0	0	0
Fund balances, January 1	0	0	0	0
Fund balances, December 31	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF FRANKLIN SPRINGS, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2021

	Water and Sewer
ASSETS	
Current assets	
Cash and cash equivalents	\$ 208,294
Certificates of deposit	14,924
Accounts receivable (net)	21,410
Prepaid items	3,147
	<hr/>
Total current assets	247,775
	<hr/>
Noncurrent assets	
Capital assets	
Non-depreciable	33,153
Depreciable (net)	627,193
	<hr/>
Total noncurrent assets	660,346
	<hr/>
Total assets	908,121
	<hr/>
LIABILITIES	
Current liabilities	
Accounts payable	7,552
Accrued salaries	574
Compensated absences	2,233
Unearned revenue	251
Customer deposits payable	18,053
	<hr/>
Total liabilities	28,663
	<hr/>
NET POSITION	
Investment in capital assets	660,346
Unrestricted	219,112
	<hr/>
Total net position	\$ 879,458
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CITY OF FRANKLIN SPRINGS, GEORGIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the year ended December 31, 2021

	Water and Sewer
OPERATING REVENUES	
Charges for sales and services	\$ 283,493
Other	9,508
Total operating revenues	293,001
OPERATING EXPENSES	
Costs of sales and services	158,314
Personal services	83,542
Depreciation	49,855
Total operating expenses	291,711
Operating income (loss)	1,290
Income (loss) before transfers	1,290
Transfers in (out)	
Transfers in	7,822
Change in net position	9,112
Net position, January 1	870,346
Net position, December 31	\$ 879,458

CITY OF FRANKLIN SPRINGS, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended December 31, 2021

	Water and Sewer
Cash flows from operating activities:	
Receipts from customers	\$ 282,759
Payments to suppliers	(159,384)
Payments to employees	(84,186)
Other receipts	9,508
	<hr/>
Net cash provided (used) by operating activities	48,697
	<hr/>
Cash flows from capital and related financing activities:	
Receipts from other funds	7,822
Acquisition of capital assets	(7,821)
Principal payments - promissory notes	0
Interest paid	0
	<hr/>
Net cash provided (used) by capital and related financing activities	1
	<hr/>
Net increase (decrease) in cash and cash equivalents	48,698
Cash and cash equivalents, January 1	159,596
	<hr/>
Cash and cash equivalents, December 31	\$ 208,294
	<hr/>
Reconciliation of operating income (loss) to net cash cash provided (used) by operating activities:	
Operating income (loss)	\$ 1,290
	<hr/>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	49,855
(Increase) decrease in accounts receivable	626
(Increase) decrease in prepaid items	(125)
Increase (decrease) in accounts payable	(945)
Increase (decrease) in customer deposits payable	(1,360)
Increase (decrease) in payroll liabilities	(644)
	<hr/>
Total adjustments	47,407
	<hr/>
Net cash provided (used) by operating activities	\$ 48,697
	<hr/>

CITY OF FRANKLIN SPRINGS, GEORGIA
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2021

	<u>Municipal Court Custodial Fund</u>
ASSETS	
Cash	\$ <u>0</u>
LIABILITIES	
Due to others	<u>0</u>
NET POSITION	
Restricted for individuals, organizations, and other governments	\$ <u><u>0</u></u>

CITY OF FRANKLIN SPRINGS, GEORGIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the year ended December 31, 2021

	Municipal Court Custodial Fund
ADDITIONS	
Fines and forfeitures collected for other governments	\$ 11,769
DEDUCTIONS	
Distributions of fines and forfeitures to other governments	11,769
Change in net position	0
Net position, January 1	0
Net position, December 31	\$ 0

CITY OF FRANKLIN SPRINGS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

1. Description of Government Unit

The City of Franklin Springs incorporated under the laws of the State of Georgia in 1924. The City operates under a council/mayor form of government and provides the following services: public safety, street and sanitation, public improvements and general and administrative services. In addition, the City operates a public utility (water and sewer) for the incorporated and immediate surrounding areas.

The City is governed by an elected five-member council.

2. Summary of Significant Accounting Policies

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

B. Reporting Entity

Standards published by the Governmental Accounting Standards Board (GASB) define the financial reporting entity as (a) the primary government, (b) organizations for which the primary government is financially responsible, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

CITY OF FRANKLIN SPRINGS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

B. Reporting Entity, continued

City of Franklin Springs Downtown Development Authority

The City of Franklin Springs Downtown Development Authority was established as a legally separate entity, which operates pursuant to the Official Code of Georgia Annotated. The City Council appoints the members of the Authority's Board of Directors. The Downtown Development Authority provides for the vitalization of the downtown area of the City of Franklin Springs. The Downtown Development Authority has a December 31 year-end. For the current year, the City of Franklin Springs Downtown Development Authority had no activity to report in the financial statements.

C. Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As discussed earlier, the government has one discretely presented component unit. While the Downtown Development Authority is not considered to be a major component unit, it would be reported in a separate column in the government-wide financial statements. For the current year, the City of Franklin Springs Downtown Development Authority had no activity to report in the financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

CITY OF FRANKLIN SPRINGS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund - The general operating fund of the City is used to account for all financial resources except those required to be accounted for in another fund.

American Rescue Plan Act Fund – This fund is used to account for revenues and expenditures of the American Rescue Plan Act Coronavirus State and Local Fiscal Recovery Fund.

SPLOST Capital Projects Fund – This fund is used to account for long-term capital projects financed by the passage of the special purpose local option sale tax.

The City reports the following major proprietary fund:

Water and Sewer Fund - This fund is used to account for activities connected with the development, operation and maintenance of water and sewer services in the City of Franklin Springs.

Additionally, the City reports the following fund types:

Governmental Fund Types

Special Revenue Funds – This fund type is used to account for the proceeds of specific revenue sources that are legally or donor restricted to expenditure for specified purposes.

CITY OF FRANKLIN SPRINGS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation - Fund Financial Statements, continued

Fiduciary Fund Types

Custodial Funds – are fiduciary in nature and are accounted for using the full accrual basis of accounting. These funds are used to account for assets that are collected and held for other agencies. The City utilizes a custodial fund to account for the activity of the Municipal Court.

Component Unit

The City of Franklin Springs Downtown Development Authority is accounted for using a current financial resources measurement focus and uses the modified accrual basis of accounting. Under this method, revenues are recognized when susceptible to accrual (i.e. when they both become measurable and available).

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due to/from other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

CITY OF FRANKLIN SPRINGS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days subsequent to year-end.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

CITY OF FRANKLIN SPRINGS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

E. Measurement Focus and Basis of Accounting, continued

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

F. Revenues and Expenditures/Expenses

Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal services funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF FRANKLIN SPRINGS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

G. Budgets and Budgetary Accounting

Formal budgetary accounting is employed as a management control for the General Fund, Special Revenue Funds, and Enterprise Funds. Capital Projects Funds are budgeted by the City Council when capital projects are approved. Annual operating budgets are adopted each fiscal year through approval by the Council. Each year about the middle of November, the City Clerk submits a proposed budget to the City Council for their review. Prior to adoption, a public hearing is held to receive comment from the citizenry on the proposed budget. This hearing is publicized in the local newspaper one week before the hearing, and the budget document is made available for public inspection during this week. After the public hearing, the budget is then revised by the City Council and the first reading of the proposed budget is made. At the next City Council meeting, the second reading of the proposed budget is made and the City Council votes to adopt the proposed budget. The annual operating budget is adopted no later than December 31 for the following year.

The annual budgets for the General Fund and Special Revenue Funds are prepared in accordance with the basis of accounting utilized by that fund. The budgets for the Enterprise Funds are adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, non-operating income and expense items are not considered. All unencumbered budget appropriations, except project budgets, lapse at the end of each year.

The legal level of budgetary control is the departmental level. Any increases in total appropriations of a department require approval and amendment of the budget by the City Council. Except as indicated on the major fund budgetary comparison statement, budget amounts included in this report are as amended as of December 31.

The City does not use the encumbrance system of accounting.

CITY OF FRANKLIN SPRINGS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

H. Cash and Investments

Cash and cash equivalents, as reported in the statement of cash flows, includes amounts in demand deposits, amounts with fiscal agents and investments with an original maturity at three months or less. Investments are reported at fair value with accrued interest shown under a separate caption on the balance sheet. Reinvested interest on certain debt service and capital project investments is included in the investment accounts.

I. Intergovernmental Receivables

Receivables for state, federal, and local governments are recorded as revenue for the period of the allocation or as earned based on expenditures made for which reimbursement is due.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond the current year are recorded as prepaid items.

K. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

GASB Statement No. 34 required the City to report and depreciate new infrastructure assets effective with the year ended December 31, 2004. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Prior to January 1, 2007, neither their historical costs nor related depreciation had historically been reported in the financial statements. For entities the size of the City of Franklin Springs, retroactive reporting of infrastructure assets was not required.

CITY OF FRANKLIN SPRINGS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

K. Capital Assets, continued

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their acquisition value on the date donated.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets ranging as follows:

	Useful Life	Capitalization
	in Years	Threshold
Buildings	40	\$ 1,000
Distribution systems	40	\$ 10,000
Roads – per lane mile	40	\$ 50,000
Bridges and culverts	40	\$ 20,000
Machinery and equipment	10	\$ 1,000
Vehicles	5	\$ 1,000
Furniture and fixtures	5	\$ 1,000
Land improvements	15	\$ 1,000
Intangibles	5	\$ 1,000

All land will be valued and capitalized. The costs of normal maintenance and repairs that do not add value or materially extend the life of the asset are charged to operations as incurred. Costs of major additions and improvements are capitalized.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. At the end of the current year, the City had no deferred outflows of resources to report.

CITY OF FRANKLIN SPRINGS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

L. Deferred Outflows/Inflows of Resources, continued

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

M. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

N. Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

CITY OF FRANKLIN SPRINGS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

O. Restricted Assets and Restricted Net Position

Restricted assets of the Enterprise Funds represent certain resources set aside for the repayment of revenue bonds because they are maintained in a separate bank account and their use is limited by applicable bond covenants.

Restricted net position is equal to the excess of the restricted assets funded from operations over the liabilities to be paid with restricted assets which are due in one year or less. Restricted assets exclude bond proceeds for calculation of reserve.

P. Fund Balances – Governmental Funds

The City of Franklin Springs implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011. In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at year end by the City are nonspendable in form. The City has not reported any amounts that are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the City Council, the City of Franklin Springs's highest level of decision making authority, which include the language "committed for the purpose of". Commitments may be modified or rescinded only through adoption of a subsequent resolution, which shall refer to the original resolution by its number. A resolution committing amounts must be adopted prior to the end of the fiscal year; however, the amount to be committed may be determined within 60 days of fiscal year-end.

CITY OF FRANKLIN SPRINGS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

P. Fund Balances – Governmental Funds, continued

Assigned – includes amounts that the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the City's adopted policy, amounts may be assigned by the Mayor, under the authorization of the City Council, through a written memorandum. Amounts appropriated to eliminate a projected deficit in the subsequent fiscal year's budget shall constitute assignments and are documented by adoption of the City's annual operating budget. Equity amounts reported in special revenue funds, capital project funds, debt service funds, or permanent funds not otherwise classified as nonspendable, restricted, or committed shall constitute assignments of fund balance.

Unassigned – includes amounts that do not fall into one of the above four categories. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The General Fund reports positive fund balance only. Negative unassigned fund balances may be report in all funds.

For the purposes of fund balance classification, the City considers restricted amounts spent first when an expenditure is incurred for which both restricted and unrestricted fund balance is available. Furthermore, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance can be used, then committed amounts are spent first, followed by assigned amounts, and then unassigned amounts.

Q. Compensation for Future Absences

It is the City's policy to permit employees to accumulate earned but unused vacation benefits which will be paid to the employees upon separation from City service. Accumulated unpaid vacation pay amounts are accrued when incurred by the City in the government-wide and proprietary fund financial statements. In governmental fund types, a liability is recorded only if the benefit has matured and is expected to be liquidated with expendable available financial resources.

CITY OF FRANKLIN SPRINGS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

R. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financial sources while discounts on debt issuances are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

S. Capital Contributions

Federal, state and local government assistance in the form of grants that are permanent in nature and restricted for the construction or acquisition of specific property and equipment is recorded as an asset and as non-operating revenue.

T. Comparative Data and Reclassifications

Comparative total data of the prior period has been presented in the accompanying individual fund financial statements in order to provide an understanding of changes in the City's financial position and operations. Certain 2020 amounts have been reclassified to conform to the 2021 presentation.

CITY OF FRANKLIN SPRINGS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

3. Deposit and Investment Risk

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned. The City has no formal policy, but follows the State of Georgia requirement that all deposits be federally insured or fully collateralized. At December 31, 2021, the City had no uninsured, uncollateralized deposits.

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State of Georgia law limits investments to include certificates of deposit, repurchase agreements, direct and agency obligations of the United States, obligations of the State of Georgia or other states, obligations of other political subdivisions of the State of Georgia, and pooled investment programs of the State of Georgia. The City has no investment policy that would further limit its investment choices. Investments are reported at fair value.

Concentration of Credit Risk

The City has no formal policy on the amount the City may invest in any one issuer.

Foreign currency risk

The City has no investments denominated in a foreign currency.

4. Accounts Receivable

Net accounts receivable at December 31, 2021 consist of the following:

Major Funds	
General Fund	\$ 6,376
Water and Sewer Enterprise Fund	<u>21,410</u>
Total Primary Government	<u><u>\$ 27,786</u></u>

CITY OF FRANKLIN SPRINGS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

5. Intergovernmental Receivables

Intergovernmental receivables at December 31, 2021 consist of the following:

Major Funds	
General Fund	\$ 84,769
SPLOST Fund	<u>17,579</u>
Total Primary Government	<u><u>\$ 102,348</u></u>

6. Taxes Receivable

Property Taxes

Property taxes receivable as of December 31, 2021 consist of property taxes for seven years as follows:

Year of Levy	Amount
2021	\$ 2,167
2020	22
2019	17
2018	16
2017	0
2016	0
2015	<u>0</u>
	2,222
Less allowance for uncollectible	<u>(58)</u>
Total	<u><u>\$ 2,164</u></u>

Property tax rates are set by the City Council each year and are limited by statutory or constitutional provision. Property values are assessed as of January 1st each year. Property taxes for the year 2021, based upon the assessments of January 1, 2021, were billed on August 27, 2021, and due on November 15, 2021. Tax liens are issued 90 days after the due date. The tax rate of 7.0 mils for 2021 was levied on August 12, 2021.

Other Taxes

\$61,889 of franchise taxes, \$635 of hotel/motel taxes, \$23,217 of sales taxes, and \$856 of alcohol excise tax are also included in taxes receivable.

CITY OF FRANKLIN SPRINGS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

7. Interfund Receivables, Payables, and Transfers

A summary of interfund receivables and payables as of December 31, 2021 is as follows:

Receivable Fund	Payable Fund	Amount
General	American Rescue Plan Act	\$ 222,569
	Nonmajor Governmental	203
		<u>\$ 222,772</u>

The balance reported as Due to/Due from represent loans between the borrow fund and the lender fund. The balances result mainly from the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between the funds are made.

Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

A summary of interfund transfers is as follows:

Transfer Out Fund	Transfer In Fund	Amount
American Rescue Plan Act	General	\$ 222,569
SPLOST	Water and Sewer	7,822
		<u>\$ 230,391</u>

Interfund transfers were used to transfer restricted revenues from SPLOST Capital Projects Fund to the Water and Sewer Enterprise Fund as required by state law. Transfers from American Rescue Plan Act were made to the General fund for lost revenues. Transfers are eliminated in the government-wide financial statements if the interfund transfer is within the governmental fund group or business-type fund group.

CITY OF FRANKLIN SPRINGS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

8. Capital Assets

Capital asset activity for the primary government for the year ended December 31, 2021 was as follows:

	<u>Balance 12/31/2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2021</u>
Governmental activities				
Non-depreciable assets				
Land	\$ 17,500	\$ 0	\$ 0	\$ 17,500
Depreciable assets				
Buildings	1,633,531	0	0	1,633,531
Land improvements	95,807	0	0	95,807
Vehicles	1,107,645	31,790	0	1,139,435
Machinery and equipment	731,740	0	0	731,740
Furniture and fixtures	40,942	0	0	40,942
Total depreciable assets	<u>3,609,665</u>	<u>31,790</u>	<u>0</u>	<u>3,641,455</u>
Accumulated depreciation				
Buildings	(571,056)	(41,364)	0	(612,420)
Land improvements	(87,652)	(4,801)	0	(92,453)
Vehicles	(927,831)	(72,499)	0	(1,000,330)
Machinery and equipment	(596,909)	(58,440)	0	(655,349)
Furniture and fixtures	(40,942)	0	0	(40,942)
Total accumulated depreciation	<u>(2,224,390)</u>	<u>(177,104)</u>	<u>0</u>	<u>(2,401,494)</u>
Total depreciable assets, net	<u>1,385,275</u>	<u>(145,314)</u>	<u>0</u>	<u>1,239,961</u>
Governmental activities capital assets, net	<u>\$ 1,402,775</u>	<u>\$ (145,314)</u>	<u>\$ 0</u>	<u>\$ 1,257,461</u>
Business-type activities				
Non-depreciable assets				
Land	\$ 33,153	\$ 0	\$ 0	\$ 33,153
Depreciable assets				
Distribution system	1,920,459	0	0	1,920,459
Intangibles	5,727	0	0	5,727
Vehicles	44,800	0	0	44,800
Machinery and equipment	118,796	7,821	0	126,617
Total depreciable assets	<u>2,089,782</u>	<u>7,821</u>	<u>0</u>	<u>2,097,603</u>
Accumulated depreciation				
Distribution system	(1,257,721)	(44,716)	0	(1,302,437)
Intangibles	(5,727)	0	0	(5,727)
Vehicles	(42,800)	(2,000)	0	(44,800)
Machinery and equipment	(114,307)	(3,139)	0	(117,446)
Total accumulated depreciation	<u>(1,420,555)</u>	<u>(49,855)</u>	<u>0</u>	<u>(1,470,410)</u>
Total depreciable assets, net	<u>669,227</u>	<u>(42,034)</u>	<u>0</u>	<u>627,193</u>
Business-type activities capital assets, net	<u>\$ 702,380</u>	<u>\$ (42,034)</u>	<u>\$ 0</u>	<u>\$ 660,346</u>

CITY OF FRANKLIN SPRINGS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

8. Capital Assets (continued)

Depreciation expense was charged to functions/programs as follows:

Primary Government

Governmental activities

General Government	\$ 23,122
Public Safety	136,609
Public Works	<u>17,373</u>
Total depreciation expense for governmental activities	<u>\$ 177,104</u>

Business-type activities

Water and Sewer	<u>\$ 49,855</u>
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9. Long-Term Liabilities

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities of the City for the year ended December 31, 2021:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Compensated absences	<u>\$ 7,226</u>	<u>\$ 7,723</u>	<u>\$ (7,226)</u>	<u>\$ 7,723</u>	<u>\$ 7,723</u>
Business-type activities					
Compensated absences	<u>\$ 2,877</u>	<u>\$ 2,233</u>	<u>\$ (2,877)</u>	<u>2,233</u>	<u>\$ 2,233</u>

Compensated absences are liquidated by those funds that have salary and wage expenditures. In prior years, long-term liabilities, such as compensated absences, of the governmental activities were liquidated in the General Fund.

CITY OF FRANKLIN SPRINGS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

10. Restricted, Committed, and Assigned Fund Balances

The following is a summary of restricted, committed, and assigned fund balances of the governmental funds for the fiscal year ended December 31, 2021:

	<u>General Fund</u>	<u>SPLOST Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Restricted for:				
Public Safety				
Police Department	\$ 0	\$ 0	\$ 11,073	\$ 11,073
Public Works				
Street Department	48,573	0	0	48,573
Capital projects	0	674,825	0	674,825
	<u>\$ 48,573</u>	<u>\$ 674,825</u>	<u>\$ 11,073</u>	<u>\$ 734,471</u>
Assigned to:				
Housing and Development				
Trade and tourism	\$ 0	\$ 0	\$ 4,034	\$ 4,034
Public Works				
Capital projects	1,250	0	0	1,250
	<u>\$ 1,250</u>	<u>\$ 0</u>	<u>\$ 4,034</u>	<u>\$ 5,284</u>

11. Hotel/Motel Lodging Tax

The City has levied a 3% lodging tax, in accordance with Official Code of Georgia Annotated (OCGA) Section 48-13-51. A summary of the transactions for the year ending December 31, 2021 follows:

Lodging tax receipts	\$ 7,444
Disbursements to promote tourism, conventions, and trade shows	\$ 7,610 102% of tax receipts

12. Joint Ventures

Under Georgia law, the City, in conjunction with other cities and counties in the northeast Georgia area, is a member of the Georgia Mountains Regional Commission and is required to pay annual dues thereto. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RC in Georgia. The RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from Georgia Mountains Regional Commission, PO Box 1720, Gainesville, GA 30503.

CITY OF FRANKLIN SPRINGS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

13. Risk Management

Material estimates have been made by management about the life of depreciated capital assets. Management has used a conservative approach on these estimates.

The City is exposed to various risks of loss related to torts; injuries to employees; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also obligated to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

Settled claims in the past three years have not exceeded the coverages.

Management estimates liabilities for unpaid claims based on the probability of losses exceeding the occurrence limits and the reasonableness of estimating those losses. At December 31, 2021, the City has no losses that are probable or estimable and accordingly has not recognized any liability.

14. Contingencies

The City's legal counsel has stated that there are presently no determinable lawsuits.

CITY OF FRANKLIN SPRINGS, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

15. Subsequent Event

In January 2022, City entered into a lending agreement with a financial institution for the purchase of land in the amount of \$653,625. Monthly principal and interest payments will be made in 59 consecutive payments in the amount of \$4,369 beginning on February 14, 2022. A final payment of \$467,059 will be made in January 2027. As security for the payments, the City has pledged the deed to the property purchased. Upon an event of default, all outstanding principal and interest may be declared immediately due and payable.

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COMBINING STATEMENTS

Nonmajor Governmental Funds

CITY OF FRANKLIN SPRINGS, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2021

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Hotel/Motel Tax</u>	<u>Technology Surcharge</u>	
ASSETS			
Cash and cash equivalents	\$ 3,602	\$ 11,073	\$ 14,675
Taxes receivable	<u>635</u>	<u>0</u>	<u>635</u>
Total assets	<u>\$ 4,237</u>	<u>\$ 11,073</u>	<u>\$ 15,310</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Due to other funds	<u>\$ 203</u>	<u>\$ 0</u>	<u>\$ 203</u>
Fund balances			
Restricted for Public Safety	0	11,073	11,073
Assigned for Housing and Development	<u>4,034</u>	<u>0</u>	<u>4,034</u>
Total fund balances	<u>4,034</u>	<u>11,073</u>	<u>15,107</u>
Total liabilities and fund balances	<u>\$ 4,237</u>	<u>\$ 11,073</u>	<u>\$ 15,310</u>

CITY OF FRANKLIN SPRINGS, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended December 31, 2021

	Special Revenue		Total Nonmajor Governmental Funds
	Hotel/Motel Tax	Technology Surcharge	
REVENUES			
Taxes	\$ 7,444	\$ 0	\$ 7,444
Fees, fines, and forfeitures	0	1,844	1,844
Total revenues	7,444	1,844	9,288
EXPENDITURES			
Current			
Housing and Development	7,610	3,824	11,434
Total expenditures	7,610	3,824	11,434
Excess (deficiency) of revenues over (under) expenditures	(166)	(1,980)	(2,146)
Fund balances, January 1	4,200	13,053	17,253
Fund balances, December 31	\$ 4,034	\$ 11,073	\$ 15,107

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GENERAL FUND

The general operating fund of the City is used to account for all financial resources except those required to be accounted for in another fund.

CITY OF FRANKLIN SPRINGS, GEORGIA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
December 31, 2021 and 2020

ASSETS	2021	2020
Cash and cash equivalents	\$ 341,579	\$ 390,424
Receivables (net)		
Accounts	6,376	5,906
Taxes	88,126	82,405
Intergovernmental	84,769	16,939
Prepaid items	19,440	9,066
Property held for resale	553,040	553,040
Due from other funds	222,772	203
Total assets	\$ 1,316,102	\$ 1,057,983
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 9,293	\$ 12,998
Accrued salaries	1,918	1,943
Unearned revenue	1,438	1,848
Total liabilities	12,649	16,789
Deferred inflows of resources		
Unavailable revenue-property taxes	798	1,353
Fund balances		
Nonspendable:		
Prepaid items	19,440	9,066
Property held for resale	553,040	553,040
Restricted for Public Works	48,573	33,357
Assigned for Public Works	1,250	1,250
Unassigned	680,352	443,128
Total fund balances	1,302,655	1,039,841
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,316,102	\$ 1,057,983

CITY OF FRANKLIN SPRINGS, GEORGIA
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
REVENUES		
Taxes	\$ 597,905	\$ 545,461
Licenses and permits	4,236	4,893
Fines, fees and forfeitures	27,217	26,193
Charges for services	47,518	47,023
Intergovernmental	32,400	134,801
Interest	91	80
Contributions	2,025	0
Other	1,753	470
	<hr/>	<hr/>
Total revenues	713,145	758,921
	<hr/>	<hr/>
EXPENDITURES		
Current		
General Government	317,400	350,886
Public Safety	243,952	198,518
Public Works	111,548	110,371
	<hr/>	<hr/>
Total expenditures	672,900	659,775
	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	40,245	99,146
Other financing sources (uses)		
Transfers in (out)		
American Rescue Plan Act Fund	222,569	0
	<hr/>	<hr/>
Net change in fund balances	262,814	99,146
Fund balances, January 1	1,039,841	940,695
	<hr/>	<hr/>
Fund balances, December 31	<u>\$ 1,302,655</u>	<u>\$ 1,039,841</u>

CITY OF FRANKLIN SPRINGS, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2021
(With comparative actual amounts for the year ended December 31, 2020)

	2021			2020
	Final Budget	Actual	Variance	Actual
REVENUES				
Taxes				
General property taxes				
Property tax	\$ 130,885	\$ 132,148	\$ 1,263	\$ 123,637
Motor vehicle tax	27,725	12,868	(14,857)	9,784
Total general property taxes	158,610	145,016	(13,594)	133,421
Local option sales tax	186,000	255,084	69,084	223,325
Intangible tax	600	1,986	1,386	1,177
Franchise tax	110,000	91,349	(18,651)	89,430
Insurance premium tax	69,087	77,716	8,629	75,493
Alcoholic beverage excise tax	10,000	10,605	605	12,465
Occupational tax	9,500	16,149	6,649	10,150
Total taxes	543,797	597,905	54,108	545,461
Licenses and Permits				
Alcohol licenses	2,400	2,400	0	2,400
Building permits	1,000	1,836	836	2,493
Total licenses and permits	3,400	4,236	836	4,893
Fines, fees and forfeitures	78,655	27,217	(51,438)	26,193
Charges for Services				
Sanitation	42,200	46,749	4,549	46,717
Cemetery	1,000	0	(1,000)	250
Other	35	769	734	56
Total charges for services	43,235	47,518	4,283	47,023
Intergovernmental	30,578	32,400	1,822	134,801
Interest	0	91	91	80
Contributions	50	2,025	1,975	0
Other	5,200	1,753	(3,447)	470
Total revenues	<u>\$ 704,915</u>	<u>\$ 713,145</u>	<u>\$ 8,230</u>	<u>\$ 758,921</u>

CITY OF FRANKLIN SPRINGS, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2021
(With comparative actual amounts for the year ended December 31, 2020)

	2021			2020
	Final Budget	Actual	Variance	Actual
EXPENDITURES				
Current				
General Government				
Governing Body				
Personal services	\$ 27,840	\$ 28,097	\$ (257)	\$ 21,893
Supplies and materials	8,000	7,858	142	13,823
Total Governing Body	35,840	35,955	(115)	35,716
Administration				
Personal services	196,319	195,963	356	184,629
Contract services	70,460	85,038	(14,578)	130,307
Supplies and materials	10,600	444	10,156	234
Total Administration	277,379	281,445	(4,066)	315,170
Total General Government	313,219	317,400	(4,181)	350,886
Public Safety				
Police Department				
Personal services	158,100	129,083	29,017	80,032
Contract services	34,275	33,730	545	35,494
Supplies and materials	42,500	30,579	11,921	17,252
Capital outlay	0	16,141	(16,141)	0
Total Police Department	234,875	209,533	25,342	132,778
Fire Department				
Contract services	29,050	28,758	292	24,851
Supplies and materials	5,950	5,661	289	12,502
Capital outlay	9,290	0	9,290	28,387
Total Fire Department	44,290	34,419	9,871	65,740
Total Public Safety	279,165	243,952	35,213	198,518
Public Works				
Highways and Streets				
Personal services	33,740	34,752	(1,012)	35,537
Contract services	35,391	38,774	(3,383)	34,542
Supplies and materials	7,400	2,886	4,514	5,177
Total Highways and Streets	76,531	76,412	119	75,256
Sanitation				
Contract services	36,000	35,136	864	35,115
Total Public Works	112,531	111,548	983	110,371
Total expenditures	\$ 704,915	\$ 672,900	\$ 32,015	\$ 659,775

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SPECIAL REVENUE FUNDS

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally or donor restricted to expenditure for specified purposes.

American Rescue Plan Act Fund – This fund is used to account for revenues and expenditures of the American Rescue Plan Act Coronavirus State and Local Fiscal Recovery Fund

Hotel/Motel Tax Fund - This fund is used to collect Hotel/Motel taxes which are used to support trade and tourism in the City of Franklin Springs.

Technology Surcharges Fund - This fund is used to account for fines and fees received restricted for the purchase of computer hardware and software for the Police and Municipal Court Departments.

CITY OF FRANKLIN SPRINGS, GEORGIA
AMERICAN RESCUE PLAN ACT SPECIAL REVENUE FUND
BALANCE SHEET
December 31, 2021

ASSETS

Cash and cash equivalents	<u>\$ 222,569</u>
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LIABILITIES AND FUND BALANCES

Liabilities

Due to other funds	<u>\$ 222,569</u>
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CITY OF FRANKLIN SPRINGS, GEORGIA
AMERICAN RESCUE PLAN ACT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Intergovernmental	\$ 0	\$ 222,569	\$ 222,569
EXPENDITURES			
Other financing sources (uses)			
Transfers in (out)			
General Fund	<u>0</u>	<u>(222,569)</u>	<u>222,569</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	0	0
Fund balances, January 1	<u>0</u>	<u>0</u>	<u>0</u>
Fund balances, December 31	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

CITY OF FRANKLIN SPRINGS, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2021 and 2020

ASSETS	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 3,602	\$ 3,894
Taxes receivable	<u>635</u>	<u>509</u>
Total assets	<u><u>\$ 4,237</u></u>	<u><u>\$ 4,403</u></u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Due to other funds	\$ 203	\$ 203
Fund balances		
Assigned for Housing and Development	<u>4,034</u>	<u>4,200</u>
Total liabilities and fund balances	<u><u>\$ 4,237</u></u>	<u><u>\$ 4,403</u></u>

CITY OF FRANKLIN SPRINGS, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2021
(With comparative actual amounts for the year ended December 31, 2020)

	2021			2020
	Final Budget	Actual	Variance	Actual
REVENUES				
Hotel/Motel taxes	\$ 7,500	\$ 7,444	\$ (56)	\$ 6,430
EXPENDITURES				
Current				
Housing and Development				
Contract services	7,500	7,610	(110)	8,285
Excess (deficiency) of revenues over (under) expenditures	0	(166)	(166)	(1,855)
Fund balances, January 1	0	4,200	4,200	6,055
Fund balances, December 31	\$ 0	\$ 4,034	\$ 4,034	\$ 4,200

CITY OF FRANKLIN SPRINGS, GEORGIA
TECHNOLOGY SURCHARGE SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2021 and 2020

ASSETS	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	<u>\$ 11,073</u>	<u>\$ 13,053</u>
FUND BALANCES		
Restricted for Public Safety	<u>\$ 11,073</u>	<u>\$ 13,053</u>

CITY OF FRANKLIN SPRINGS, GEORGIA
TECHNOLOGY SURCHARGE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2021
(With comparative actual amounts for the year ended December 31, 2020)

	2021			2020
	Final Budget	Actual	Variance	Actual
REVENUES				
Fees, fines, and forfeitures	\$ 4,000	\$ 1,844	\$ (2,156)	\$ 1,543
EXPENDITURES				
Current				
Public Safety				
Supplies and materials	4,000	3,824	176	0
Excess (deficiency) of revenues over (under) expenditures	0	(1,980)	(1,980)	1,543
Fund balances, January 1	0	13,053	13,053	11,510
Fund balances, December 31	\$ 0	\$ 11,073	\$ 11,073	\$ 13,053

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CAPITAL PROJECTS FUND

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of specifically planned projects (other than those financed by proprietary funds).

Special Purpose Local Option Sales Tax Fund – This fund is used to account for long-term projects financed by the passage of the special purpose local option sales tax.

CITY OF FRANKLIN SPRINGS, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
December 31, 2021 and 2020

ASSETS	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 657,246	\$ 492,619
Intergovernmental receivables	<u>17,579</u>	<u>13,381</u>
Total assets	<u><u>\$ 674,825</u></u>	<u><u>\$ 506,000</u></u>
FUND BALANCES		
Restricted for capital outlay	<u><u>\$ 674,825</u></u>	<u><u>\$ 506,000</u></u>

CITY OF FRANKLIN SPRINGS, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
REVENUES		
Intergovernmental	\$ 191,711	\$ 176,989
Interest	586	740
Total revenues	<u>192,297</u>	<u>177,729</u>
EXPENDITURES		
Capital outlay		
Public Safety	15,650	0
Public Works	0	19,386
Total expenditures	<u>15,650</u>	<u>19,386</u>
Excess (deficiency) of revenues over (under) expenditures	176,647	158,343
Other financing sources (uses)		
Transfers in (out)		
Water and Sewer Fund	<u>(7,822)</u>	<u>(450)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	168,825	157,893
Fund balances, January 1	<u>506,000</u>	<u>348,107</u>
Fund balances, December 31	<u><u>\$ 674,825</u></u>	<u><u>\$ 506,000</u></u>

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ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The funds are self-supporting in nature where the costs, including depreciation, of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

Water and Sewer Fund - Used to account for activities connected with the development, operation and maintenance of water and sewer services in the City of Franklin Springs.

CITY OF FRANKLIN SPRINGS, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
December 31, 2021 and 2020

ASSETS	2021	2020
Current assets		
Cash and cash equivalents	\$ 208,294	\$ 159,596
Certificates of deposit	14,924	14,924
Accounts receivable (net)	21,410	22,036
Prepaid items	3,147	3,022
Total current assets	247,775	199,578
Capital assets		
Land	33,153	33,153
Vehicles	44,800	44,800
Distribution system	1,920,459	1,920,459
Machinery and equipment	126,618	118,796
Intangibles	5,727	5,727
Accumulated depreciation	(1,470,411)	(1,420,555)
Total capital assets (net of accumulated depreciation)	660,346	702,380
Total assets	908,121	901,958
LIABILITIES		
Current liabilities		
Accounts payable	7,552	8,497
Accrued salaries	574	574
Compensated absences	2,233	2,877
Unearned revenue	251	251
Customer deposits payable	18,053	19,413
Total liabilities	28,663	31,612
NET POSITION		
Investment in capital assets	660,346	702,380
Unrestricted	219,112	167,966
Total net position	\$ 879,458	\$ 870,346

CITY OF FRANKLIN SPRINGS, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the years ended December 31, 2021 and 2020

OPERATING REVENUES	2021	2020
Charges for sales and services		
Water sales	\$ 162,014	\$ 153,586
Sewer charges	121,479	116,277
Other	9,508	7,296
	<u>293,001</u>	<u>277,159</u>
OPERATING EXPENSES		
Cost of sales and services	158,314	160,621
Personal services	83,542	88,503
Depreciation	49,855	55,952
	<u>291,711</u>	<u>305,076</u>
Operating income (loss)	1,290	(27,917)
Non-operating revenues (expenses)		
Interest expense	0	(164)
	<u>0</u>	<u>(164)</u>
Net income (loss) before transfers	1,290	(28,081)
Transfers in (out)		
SPLOST Fund	7,822	450
	<u>7,822</u>	<u>450</u>
Change in net position	9,112	(27,631)
Net position, January 1	870,346	897,977
	<u>870,346</u>	<u>897,977</u>
Net position, December 31	<u><u>\$ 879,458</u></u>	<u><u>\$ 870,346</u></u>

CITY OF FRANKLIN SPRINGS, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Receipts from customers	\$ 282,759	\$ 270,805
Payments to suppliers	(159,384)	(162,117)
Payments to employees	(84,186)	(86,900)
Other receipts	9,508	7,296
Net cash provided (used) by operating activities	<u>48,697</u>	<u>29,084</u>
Cash flows from capital and related financing activities:		
Receipts from other funds	7,822	450
Payments for acquisitions of capital assets	(7,821)	0
Principal payments - promissory notes	0	(7,904)
Interest paid	0	(164)
Net cash provided (used) by capital and related financing activities	<u>1</u>	<u>(7,618)</u>
Net increase (decrease) in cash and cash equivalents	48,698	21,466
Cash and cash equivalents, January 1	<u>159,596</u>	<u>138,130</u>
Cash and cash equivalents, December 31	<u><u>\$ 208,294</u></u>	<u><u>\$ 159,596</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	<u>\$ 1,290</u>	<u>\$ (27,917)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	49,855	55,952
(Increase) decrease in accounts receivable	626	(258)
(Increase) decrease in prepaid items	(125)	(55)
Increase (decrease) in accounts payable	(945)	(1,441)
Increase (decrease) in customer deposits payable	(1,360)	1,200
Increase (decrease) in payroll liabilities	(644)	1,603
Total adjustments	<u>47,407</u>	<u>57,001</u>
Net cash provided (used) by operating activities	<u><u>\$ 48,697</u></u>	<u><u>\$ 29,084</u></u>

CUSTODIAL FUNDS

Custodial funds are used to account for assets held by the City as an agent to be expended in accordance with the conditions of its agency capacity.

Municipal Court Fund – This fund is used to account, on a temporary basis, for fines collected by the municipal court that ultimately are transmitted to another agency.

CITY OF FRANKLIN SPRINGS, GEORGIA
MUNICIPAL COURT CUSTODIAL FUND
COMPARATIVE STATEMENTS OF FIDUCIARY NET POSITION
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	<u>\$ 0</u>	<u>\$ 642</u>
LIABILITIES		
Due to others	<u>0</u>	<u>642</u>
NET POSITION		
Restricted for individuals, organizations, and other governments	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

CITY OF FRANKLIN SPRINGS, GEORGIA
MUNICIPAL COURT CUSTODIAL FUND
COMPARATIVE STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ADDITIONS		
Fines and forfeitures collected for other governments	\$ 11,769	\$ 10,231
DEDUCTIONS		
Distributions of fines and forfeitures to other governments	<u>11,769</u>	<u>10,231</u>
Change in net position	0	0
Net position, January 1	<u>0</u>	<u>0</u>
Net position, December 31	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

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OTHER REPORTING SECTION

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance with Government Auditing Standards**

Honorable Mayor and
Members of the City Council
City of Franklin Springs, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin Springs, Georgia, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Franklin Springs, Georgia's basic financial statements and have issued our report thereon dated May 31, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Franklin Springs, Georgia's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Franklin Springs, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Franklin Springs, Georgia's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control listed below that we consider to be material weaknesses.

2021-001

Condition: There is a lack of segregation of duties, as the City Clerk currently maintains the checkbook, prepares and makes deposits, prepares all bank reconciliations, posts all journal entries and makes all utility account adjustments for the City.

Criteria: The duties of disbursements, receipts, preparing bank reconciliations, and journal entries should be separated and assigned to different personnel.

Effect: Failure to maintain adequate separation of duties subjects the City to greater risk of loss due to employee fraud.

Cause: The same employee maintains the checkbook, prepares and makes deposits, prepares all bank reconciliations, posts all journal entries and makes all utility account adjustments.

2021-001, Continued

Recommendation: Because the City staff is too small to have an adequate separation of duties, the following mitigating procedures should be implemented. Currently two signatures are required on all checks. Also, the Mayor reviews and approves all bank statements. A formal journal entry approval process should be adopted and all journal entries made by the City Clerk should be reviewed and approved by the Mayor or other Council member before they are posted. The Mayor should review all journal entries, utility adjustments, and make all deposits.

Management Response: Management concurs with this finding. The Mayor will review all journal entries posted by the City Clerk on a monthly basis.

2021-002

Condition: City personnel lack the necessary training and expertise in identification and application of generally accepted accounting policies and financial statement preparation. Currently, the City relies on the external auditors for technical assistance in these areas. This is common for governments of similar size and structure to the City of Franklin Springs. This does not indicate that the City Clerk is not trained to perform the daily accounting functions, but that the City has elected, as a cost benefit, to outsource this expertise to their auditors.

Criteria: Effective internal control requires that employees possess the necessary qualifications and training to fulfill their assigned duties.

Effect: Failure to ensure that employees possess the necessary qualifications to perform their assigned duties may lead to financial statements that are materially misstated.

Cause: Staff does not have proper training in generally accepted accounting principles to implement them or prepare financial statements.

Recommendation: City personnel should receive additional training in the identification and application of generally accepted accounting principles and the preparation of the City's financial statements. However, this may be cost prohibitive.

Management Response: Management concurs with this finding. The City has determined that the cost of training City personnel in identification and application of generally accepted accounting principles and financial statement preparation is cost prohibitive. The governing body and management have determined that personnel should receive training to the extent that is economically feasible and to continue to rely on the technical assistance of the external auditor or other qualified professional when necessary. This action was taken immediately upon receipt of the comment from our auditors.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Franklin Springs, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Franklin Springs, Georgia's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Franklin Springs, Georgia's response to the findings identified in our audit and described previously. The City of Franklin Springs, Georgia's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ruskton, LLC

Gainesville, Georgia
May 31, 2022

CITY OF FRANKLIN SPRINGS, GEORGIA
SCHEDULE OF PROJECTS FINANCED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the year ended December 31, 2021

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Total
SPLOST V Referendum					
Water and Sewer	\$ 289,285	\$ 289,285	\$ 59,840	\$ 7,822	\$ 67,662
Roads, Streets, and Bridges	289,285	289,285	1,859	0	1,859
Public Safety and Fire	<u>210,430</u>	<u>210,430</u>	<u>34,351</u>	<u>15,650</u>	<u>50,001</u>
Total	<u>\$ 789,000</u>	<u>\$ 789,000</u>	<u>\$ 96,050</u>	<u>\$ 23,472</u>	<u>\$ 119,522</u>

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